United Nations A/61/577

General Assembly

Distr.: General
15 November 2006

Original: English

Sixty-first session
Agenda items 117 and 126

Programme budget for the biennium 2006-2007

United Nations pension system

Administrative and financial implications arising from the report of the United Nations Joint Staff Pension Board

Report of the Secretary-General

Summary

The report of the United Nations Joint Staff Pension Board to the General Assembly on its fifty-third session contains additional requirements relating to the overall administrative expenses of the United Nations Joint Staff Pension Fund for the biennium 2006-2007 that would have financial implications for the regular budget of the United Nations. In accordance with rule 153 of the rules of procedure of the General Assembly, the present report identifies the financial implications that would arise for the regular budget should the Assembly adopt the recommendations submitted to it in the report of the Board.

The additional requirements under the regular budget for the biennium 2006-2007 resulting from the recommendations of the Board and the Advisory Committee on Administrative and Budgetary Questions are estimated at $69,400. Every effort will be made to meet those requirements from within the current appropriation under section 1, Overall policymaking, direction and coordination, of the programme budget for the biennium 2006-2007, and the actual expenditures will be reported in the context of the second performance report for the biennium 2006-2007.

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I. Introduction

1. The report of the United Nations Joint Staff Pension Board on its fifty-third session (A/61/9) contains two recommendations that would have an impact on the regular budget share of the cost of the central secretariat of the United Nations Joint Staff Pension Fund, namely: (a) the 2002 Board recommendations relating to the benefit provisions of the Fund; and (b) the revised budget estimates for the biennium 2006-2007.

2. The report of the Board has been considered by the Advisory Committee on Administrative and Budgetary Questions, whose conclusions and recommendations are contained in its report on the United Nations pension system (A/61/545).

II. Recommendations and decisions of the Board

A. Consideration of the 2002 recommendations

3. The Board's recommendations in 2002 with respect to pension benefits were included in the agenda of its fifty-third session following its decision in 2004 to address in 2006, subject to a favourable actuarial valuation as at 31 December 2005, the possible total elimination of the balance of the 1.5 per cent reduction and, on an equal footing, the possible elimination of the limitation on the right to restoration based on length of prior service (A/59/9, para. 146 (d)).

4. Recalling General Assembly resolutions 57/286 and 59/269 and taking into consideration the latest actuarial valuation, which revealed a fifth consecutive surplus amounting to 1.29 per cent of pensionable remuneration, and the latest report of the Committee of Actuaries, the Board decided to: (a) recommend that as from 1 April 2007 the current reduction in the first consumer price index adjustment due under the Pension Adjustment System to benefits in award be reduced from 1.0 per cent to 0.5 per cent and that a 0.5 per cent increase be applied on the occasion of the next adjustment to the benefits in payment to existing retirees and beneficiaries who have already had the 1.0 per cent reduction applied to their benefits; and (b) recommend implementation as from 1 April 2007 of its recommendation already approved in 2002 to eliminate the limitation on the right to restoration for existing and future contributing participants, based on length of prior service.

5. Following its review of the administrative implications with respect to implementing the above recommendations to reverse two of its earlier economy measures, the Board agreed to reflect the required resources in the revised budget estimates for the biennium 2006-2007. In order to implement the recommendations, the Board therefore decided to recommend resources for general temporary assistance amounting to $125,300 for implementation of the recommendation to reduce the current reduction factor by 0.5 per cent in the first pension adjustments due for existing and future beneficiaries and $72,500 for implementation of the recommendation to eliminate the limitation on the right to restoration based on years of service. A total requirement of $197,800 is requested, which is subject to the cost-sharing arrangement by which the Fund bears two thirds of the costs ($131,900) and the United Nations one third ($65,900).

B. Revised budget estimates for the biennium 2006-2007

6. Owing to the increase in responsibilities of the Information Management Systems Service within the secretariat of the Fund and also those added by the move to consolidate, where possible, the information technology services of the secretariat and the Investment Management Service, the Board recommended the reclassification of two information technology posts in the Fund secretariat from the P-4 to the P-5 level. Additional resources amounting to $27,700 would be required, subject to the cost-sharing ratio of two thirds to one third between the Fund ($18,500) and the United Nations ($9,200).

7. The Fund is currently audited twice a year by the Board of Auditors and on a continual basis by the Office of Internal Oversight Services (OIOS). Such is the importance attributed to the audit function by the Board that at its fifty-third session it decided to establish an Audit Committee as an integral part of its machinery in order to increase transparency and communication with respect to audit activities of the Fund. The Board also recommended additional resources for both external and internal audit functions.

8. In order to provide additional coverage of the audit of information technology and investment management, not previously provided by the Board of Auditors, the United Nations Joint Staff Pension Board recommended increasing the total number of auditor weeks from 53 to 65. Additional resources amounting to $85,900 would be required by the Board of Auditors that would be subject to the cost-sharing ratio of five sixths to one sixth between the Fund ($71,600) and the United Nations ($14,300).

9. Additional resources to enable OIOS to provide more extensive internal audit coverage aimed at enhancing the Fund's internal controls, accountability and efficiency, as well as its ability to address the challenges and achieve the objectives set out in its management charter covering the biennium 2006-2007, are requested. More specifically, the additional resources are essential for OIOS to effectively deliver the staff-hours required in order to conduct the high-impact audits identified in the risk assessment. The Board has recommended the provision of additional general temporary assistance resources equivalent to 12 months at the P-3 level, amounting to $132,400, to enable OIOS to provide extensive internal audit coverage, which would be subject to the cost-sharing ratio of five sixths to one sixth between the Fund ($110,300) and the United Nations ($22,100).

III. Additional resource requirements

10. The recommendations and decisions of the Board would give rise to overall additional requirements amounting to $111,500 for the United Nations share of the administrative and audit costs of the Fund.

11. In accordance with existing arrangements, an estimated 62.2 per cent of that amount would be attributable to the regular budget of the United Nations, with the balance to be reimbursed by the funds and programmes. Accordingly, additional requirements in the amount of $69,400 would represent the regular budget share for the biennium 2006-2007.

IV. Action required from the General Assembly

12. **Should the General Assembly approve the recommendations of the United Nations Joint Staff Pension Board and the relevant recommendations of the Advisory Committee on Administrative and Budgetary Questions, additional requirements that would arise for the United Nations are estimated at $111,500. Of the total requirements for the biennium 2006-2007, the cost under the regular budget would amount to $69,400, and the balance of $42,100 would be reimbursed to the United Nations by the United Nations Development Programme, the United Nations Population Fund and the United Nations Children's Fund. Every effort will be made to meet the additional requirements of $69,400 from within the current appropriation under section 1, Overall policymaking, direction and coordination, of the programme budget for the biennium 2006-2007, and the actual expenditures will be reported in the context of the second performance report for the biennium 2006-2007.**

13. **The General Assembly may wish to:**

(a) **Take note of the present report;**

(b) **Request the Secretary-General to report on any additional requirements arising from the recommendations of the Board in the context of the second performance report for the biennium 2006-2007.**